



HOUSE *of* LORDS

Resource Accounts
2004-05

(FOR THE YEAR ENDED 31st MARCH 2005)

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Foreword to the Accounts

Scope

The House of Lords Administration presents the accounts of the House of Lords for the financial year ended 31st March 2005. The Resource Accounts contain the financial statements relating to the House of Lords Members' expenses and administration etc. Request for Resources, which includes catering and works services expenditure. Information is also included, by way of notes, on the House of Lords Security Fund, the House of Lords Works of Art Collection Fund and the House of Lords Refreshment Department trading activities.

Aims and Objectives

The aim of the House of Lords Administration is to enable the House, together with its Members, to carry out its parliamentary and judicial functions fully and effectively, and to give value for money.

The four objectives of the House of Lords Administration are:

- To ensure that the House and its committees have the necessary procedural, information, research, administrative and security support to meet at any time and in any circumstances.
- To provide all Members of the House (and their staff) with the services they need, including appropriate accommodation and facilities, in support of their parliamentary and judicial duties, regardless of party or office.
- To provide the public with information and with access to the proceedings of the House, so as to enhance awareness and understanding of the House's work.
- To maintain the heritage and integrity of the House's building, objects and documents.

Principal Activities

The House of Lords is the second Chamber of the United Kingdom Parliament and as such is one of the busiest parliamentary chambers in the world. It plays an important part in revising legislation and scrutinising Government policy.

The House of Lords is the ultimate court of appeal in the United Kingdom for all cases except Scottish criminal cases. This work is carried out by 12 Lords of Appeal in Ordinary (Law Lords).

Significant events during the year

Supreme Court and Lord Chancellor

The Constitutional Reform Act 2005 was passed on 24th March 2005. The Act provides for the establishment of a new Supreme Court and for the removal to that Court of the judicial functions of the House of Lords. It is currently expected that the new Supreme Court will be established in 2008-09.

The first members of the Supreme Court will be the then current Lords of Appeal in Ordinary, who will be disqualified from sitting or voting in the House of Lords for their term of office as judges of the Supreme Court. The Act also removes the legal linkage between the office of Lord Chancellor and that of the Speaker of the House of Lords. Following the passing of the Act, Lord Falconer of Thoroton remained in office as Lord Chancellor and as such, *ex officio* Speaker of the House of Lords, but a future Lord Chancellor need not be a member of the House.

Working practices

The experimental arrangements for revised sitting practices introduced in 2002 were reviewed by a Leader's Group, which reported in September. The Group broadly concluded that all the changes should be adopted on a permanent basis and this was subsequently endorsed by the Procedure Committee and by the House, to be effective from the 2004-05 session of Parliament. At the end of that session the House further agreed to switch the business on Wednesday and Thursday during the first part of a session, so that Thursday became the general debate day with effect from the start of the new Parliament in May 2005.

Accommodation

In March 2005, following extensive negotiations, the House acquired the long lease of the Millbank "island site", comprising the offices currently known as 1 Millbank, Millbank House and 5 Great College Street. The building was purchased on a 999-year lease at a cost of £65 million plus VAT on part of the price. The building will provide a long-term solution to the accommodation needs of Members, their staff and the staff of the House. One-third of the building, Millbank House, is already occupied by the House. The House will gain vacant possession of a further third of the building in September 2007, and it is anticipated that following refurbishment that part of the accommodation will be ready for occupation in 2009. The final part of the building is occupied by a third party on a lease which expires in 2015.

Important events which have occurred since the financial year end

The Labour Party manifesto includes a pledge to establish a joint committee of both Houses to review the "key conventions" of the House of Lords, and to develop alternative methods of scrutiny to complement the work of the House of Commons and improve public engagement. The manifesto includes pledges to legislate to introduce a limit on the time a bill spends in the House of Lords and to remove the remaining hereditary peers. The manifesto also promised a free vote on the composition of the House. The new government began discussions on the establishment of a joint committee after the election.

At the end of July 2005 the House approved in principle the replacement of the Lord Chancellor as Speaker of the House by an elected speaker.

House of Lords Annual Report

The House of Lords Annual Report (HL Paper 41) provides an overview of the work of the House of Lords in 2004-05. The House of Lords Business Plan 2004-05 (HL Paper 155, session 2004-05), sets out services to be provided by the administration. Both are published on behalf of the House of Lords by The Stationery Office and are available via bookshops and on the internet (www.parliament.uk).

Operating and Financial Review

The House of Lords Administration's outturn on net total resources for 2004-05 was £90,766,000 which was £3,625,000 lower than the Estimate. The main explanations for this variation against the Estimate are:

- Lower than budgeted expenditure on ICT, partly because of delays in projects and partly because of lower than expected take-up of IT equipment by Members
- Delays in works projects

The Estimate includes provision of £45,559,000 in a Spring Supplementary Estimate in respect of the acquisition of the Millbank "island site".

The House of Lords sat on 152 days in 2004-05. Attendance levels increased by 9% over the previous year. The average length of a sitting remained at just over 7 hours. Scrutiny of legislation remains at the forefront of its activities with the House spending 626 hours considering public legislation in the Chamber; sittings of Grand Committees also remained high at 63 sittings.

There was a substantial increase in select committee activity. The work of the main sessional select committees (the European Union Committee (with 7 sub-committees), the Science and Technology Committee (with 2 sub-committees), the Constitution Committee, the Economic Affairs Committee, and the Delegated Powers and Regulatory Reform Committee) was supplemented by the work of the new Merits of Statutory Instruments Committee and by the work of the Select Committees on the Constitutional Reform Bill and the Assisted Dying for the Terminally Ill Bill, and by several joint pre-legislative committees. Details are contained in the Annual Report.

During the year the administration appointed consultants to conduct the first survey of Members' views of the services and facilities offered by the House. This wide-ranging exercise revealed high levels of satisfaction among most Members of the services provided, and an appreciation of the atmosphere created by the House's approach to that provision. It also revealed varying levels of dissatisfaction among a minority of Members. The findings were considered by the House Committee, which approved a programme of action to respond to them.

A joint review by the security services and the Metropolitan Police of parliamentary security was conducted and presented to both Houses. The findings of the review were endorsed by the House Committee, subject to consideration of detailed implementation plans, and a new post of parliamentary security co-ordinator established to bring those plans forward. The House approved in principle proposals for the construction of a new visitor reception and security building jointly with the House of Commons, and for the realignment of arrangements for visitor access to Parliament through Westminster Hall.

The administration sought and obtained recognition as an Investor in People. The House put in place arrangements for the implementation of the Freedom of Information Act 2000 and the application of the Data Protection Act 1998 from January 2005. Progress was also maintained in improving corporate governance arrangements and developing risk management.

Management

Members of the House of Lords (except ministers, certain office holders and Lords of Appeal in Ordinary) do not receive a salary. They are entitled to recover travel and certain other expenses incurred in connection with their parliamentary duties. Members other than ministers and certain office holders are entitled to recover, up to a specified maximum, the cost of overnight accommodation, subsistence and office costs certified by them as incurred for the purpose of their parliamentary duties at sittings of the House and its committees. Three Members – the Chairman of Committees, Principal Deputy Chairman of Committees and the Lord Chancellor (for that part attributable to his duties as Speaker of the House) – are eligible for a salary paid from House of Lords' funds. The eligible salaries as at 31st March 2005 were as follows:

| | |
|--|---------|
| Lord Chancellor (as Speaker of the House of Lords) | £29,084 |
| Chairman of Committees (including £1,615 London Supplement) | £78,835 |
| Principal Deputy Chairman of Committees (including £1,615 London Supplement) | £73,858 |

The salaries of the three Office Holders shown above are reviewed and adjusted annually in line with Senior Civil Service pay.

Details on the Management Board of the House of Lords are contained in the Remuneration Report.

Pensions

Present and past employees of the House of Lords are covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPS). The scheme is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The balance sheet includes a provision against which future pension benefits will be charged when paid. The annual accruing cost of benefits is charged to the operating cost statement (see notes 1.12 and 14).

Public Interest and Other

Equal Opportunities, Diversity and Disability

It is House of Lords policy that its staff shall have equality of opportunity for employment and advancement on the basis of their ability, qualifications and suitability for work. There must be no discrimination on grounds of gender, marital status, age, race, colour, disability, religious affiliation or sexual orientation. This policy is in line with Civil Service policy statements, United Kingdom legislation on equality of opportunity and equal pay, and European Union law. Equal opportunities and diversity training are compulsory for all staff and the Equal Opportunities and Diversity Officer is available to advise staff and managers on equal opportunities and diversity matters.

Payments to Suppliers

The House of Lords Administration is committed to the Better Payment Practice Code. The policy is that all bills should be paid in accordance with credit terms, or where no such terms exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the later. Payments with regard to Works Services are made in the first instance by the House of Commons. The calculation of payment performance for 2004-05 has been based on continuous monitoring of payments throughout the year. On this basis 99.01% of payments made by the House of Lords met the policy criteria.

Staff Issues

The Clerk of the Parliaments attaches importance to ensuring effective consultation and involvement of staff. Certain trade union organisations, and the House of Lords (Parliament Office) Staff Association, have been recognised by the House of Lords and are members of the House of Lords Whitley Committee which meets regularly with management. Additionally, staff involvement is also encouraged as part of the day to day process of line management and staff are consulted as part of the annual business planning process.

Auditor

The Comptroller and Auditor General is the external auditor for the House of Lords. The notional audit fee for 2004-05 was £106,000 (2003-04 – £105,000). No further assurance or advisory services were provided by the auditors.

P.D.G. Hayter

Clerk of the Parliaments and Accounting Officer

20th October 2005

Statement of Accounting Officer's Responsibilities

The Government Resources and Accounts Act 2000 requires government departments to prepare Resource Accounts for each financial year detailing the resources acquired, held or disposed of during the year and the use of resources during the year. The House Committee accounts for the House of Lords' Estimate and has determined to apply by analogy the financial reporting provisions of the Act, as required for central government departments. It has delegated responsibility for the preparation of the Annual Accounts to the Clerk of the Parliaments, who is appointed by Her Majesty by Letters Patent and is ex-officio Accounting Officer for the House of Lords.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the House of Lords, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Accounting Officer is responsible for preparing the House of Lords' accounts. In discharging these responsibilities the Accounting Officer complies with the House of Lords' Financial Reporting Manual, with reference to the *Financial Reporting Manual* issued by HM Treasury, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the House of Lords' assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting*.

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the House of Lords administration, whilst safeguarding the public funds and assets for which I am personally responsible.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify all risks to the corporate objectives of the House of Lords Administration; to evaluate the likelihood and impact of those risks being realised; and to manage them efficiently, effectively and economically.

Capacity to Manage Risk

The risk management process is owned by the Management Board but is subject to regular scrutiny by the Audit Committee. Each of the corporate risks of the House of Lords Administration has a nominated risk owner at Management Board level. Corporate risk owners are responsible for ensuring that the risks allocated to them are managed effectively in accordance with the Administration's risk strategy. They are required to report the risk management approach, together with all related actions and decisions, at Management Board meetings. A reporting timetable for corporate risks has been agreed. Although the timetable is designed to ensure that a report on each risk area is made at least once a year, risk owners are expected to report immediately any material variation in the perceived level of exposure.

Heads of Offices have been provided with appropriate guidance material and support to allow them to assess risk within their own areas of responsibility. Each Office has been asked to identify key risks to the achievement of its strategic objectives. These risks are referred to in the business plans of each Office and are described in detail in Office risk registers.

The Risk and Control Framework

The Management Board, the Audit Committee and the House Committee have all contributed to the development of the risk and control framework. The Management Board has primary responsibility for considering and agreeing the risk management policy, deciding the Administration's risk approach, and developing appropriate strategies for the effective management of agreed corporate risks. The Audit Committee has responsibility for reviewing the Administration's approach to risk and for evaluating the efficacy of management responses thereto. The Audit Committee provides assurances on the effectiveness of risk management to me, as Accounting Officer, and, where necessary, to the House Committee. Following its formal adoption of the corporate risks, the House Committee has maintained oversight of corporate governance developments and would be required to endorse any significant change of policy in this area.

2004-05 is the first full year in which the system of Office risk reporting has operated across the Administration. All House of Lords Offices are required to maintain separate risk registers and these are the primary means by which Heads of Offices report on the management of risk. Each register requires an assessment of the extent to which corporate risks are being managed at Office

level. A separate operational section details any local risks that have the potential to threaten the delivery of Office objectives. For each risk detailed, both corporate and local, there is a numerical assessment of the level of exposure and an identified Office level risk owner. Heads of Offices are expected to submit updated risk registers on a quarterly basis. These are used to prepare risk reports for all corporate risk owners on the Management Board.

The Management Board and the Audit Committee have agreed suggested changes to the corporate risks with effect from April 2005. These changes were the result of consideration by the Business Planning Group which is responsible, *inter alia*, for ensuring the continued relevance of all corporate risks. Further revision may be necessary in the future to ensure that risk management arrangements continue to reflect the current risk profile of the Administration.

I consider that an effective system of risk management is now fully embedded in all major aspects of House of Lords administration. I believe it has introduced an appropriate and proportionate level of control to all operational activities for which I am responsible.

Internal Financial Control

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and financial delegation and accountability. The system is subject to overall supervision by the House Committee, which approved the recommendations of an external review of financial management across the administration during 2004-05. General development and maintenance of the system is undertaken by executive managers within the House of Lords, but is also influenced by accounting arrangements for services which are shared with the House of Commons.

All payments made by the House of Lords in respect of current and capital works services take the form of reimbursement to the House of Commons of expenditure incurred on behalf of the House of Lords. Although the House of Lords Internal Auditor includes the activities of the Parliamentary Works and Estates Directorates within his annual programme of work, he does not generally have direct access to certain financial operations undertaken by the House of Commons and subject to audit by the House of Commons Internal Review Service. Accordingly, I have received a statement of assurance from the Accounting Officer of the House of Commons regarding the adequacy of accounting procedures used to determine the level of expenditure charged to the House of Lords, and of the system for periodically reviewing such procedures.

The Accounting Officer of the House of Commons has also provided an assurance on the accuracy of various items of accounting information necessary for the preparation of the House of Lords Resource Account. This information relates principally to the valuation of parliamentary assets between the two Houses, and to the division of joint costs. It is, of necessity, prepared in the first instance by the House of Commons and is subsequently incorporated into the House of Lords Resource Account. I am content to rely on the assurances I have received from the House of Commons.

A scheme for providing financial assistance to opposition parties - generally referred to as Cranborne Money - was introduced in 1996. Although funding for this scheme is subsumed within the House of Lords Request for Resources for which I am responsible, I have no direct control over the expenditure involved. Under the terms of the scheme, I rely upon professional audit certificates provided annually by each of the main opposition parties and by the Convenor of Cross-Bench Peers. I am content to rely upon these assurances.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control and for ensuring continuous improvement. The review process is informed by the work of the internal auditors and the executive managers within the House of Lords who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors. In assessing the effectiveness of the internal control system I am also guided by the views of the Audit Committee and the Management Board.

P.D.G. Hayter

Clerk of the Parliaments and Accounting Officer

20th October 2005

Certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 14 to 35. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 19 to 22.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 8, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the House of Lords Financial Reporting Manual and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are in general terms, established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the House has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Foreword, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 9 to 11 reflects the House of Lords' application as best practice, of Treasury's guidance "Corporate governance: statement on internal control". I report if it does not reflect appropriate application of the Treasury guidance, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risk and controls. I am also not required to form an opinion on the effectiveness of the House's corporate governance procedures or its risk and control procedures.

As set out in the Statement on Internal Control (pages 9 – 11), financial assistance to opposition parties is paid in accordance with resolutions of the House of Lords. These resolutions require each recipient party and the Convenor of Cross-Bench Peers to certify, through an external auditor, that expenditure has been incurred for parliamentary purposes. My audit of these amounts considers whether payments to recipients are in line with the resolutions, whether the House of Lords has properly accounted for these amounts and received certificates from external auditors, in accordance with the resolutions, which confirm that expenditure has been incurred for parliamentary purposes.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the House in the preparation of the financial statements, and of whether the accounting policies are appropriate to the House's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conformed to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the House of Lords at 31st March 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year ended, and have been properly prepared; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

24th October 2005

Statement of Parliamentary Supply

Summary of Resource Outturn 2004-05

| Estimate | | | | | 2004-05 £000 Outturn | | | | 2003-04 £000 Outturn |
|---|------|-------------------|---------|-----------|----------------------------|---------|-----------|---|----------------------------|
| Request for Resources | Note | Gross Expenditure | A in A | Net Total | Gross Expenditure | A in A | Net Total | Net Total outturn compared with Estimate: saving/(excess) | Net Total |
| Members' expenses and administration etc. | 2 | 99,319 | (4,928) | 94,391 | 95,372 | (4,606) | 90,766 | 3,625 | 81,119 |
| Total resources | 3 | 99,319 | (4,928) | 94,391 | 95,372 | (4,606) | 90,766 | 3,625 | 81,119 |
| Non-operating cost A in A | | | | (65) | | | (-) | (65) | (16) |

Summary of net cash requirement 2004-05

| | | | | 2004-05 £000 | | | 2003-04 £000 |
|----------------------|------|----------|---------|-----------------|---|---------|-----------------|
| | Note | Estimate | Outturn | | Net Total outturn compared with Estimate: saving/(excess) | Outturn | |
| Net cash requirement | 4 | 128,861 | 125,177 | | 3,684 | 58,404 | |

Summary of income payable to the Consolidated Fund.

(In addition to appropriations in aid, the following income relates to the House of Lords and is payable to the Consolidated Fund (cash receipts being shown in italics))

| | | Forecast 2004-05 £000 | | Outturn 2004-05 £000 | |
|-------|------|--------------------------|----------|-------------------------|----------|
| | Note | Income | Receipts | Income | Receipts |
| Total | 5 | - | - | - | - |

Explanations of variances between Estimate and outturn are given in the Operating and Financial Review.

Operating Cost Statement

for the year ended 31 March 2005

| | Note | 2004-05 £000 | 2003-04 £000 |
|-------------------------------|-------|-----------------|-----------------|
| Programme Costs | | | |
| Staff costs | 6 | 15,535 | 15,022 |
| Expenditure | 7 | 79,837 | 71,139 |
| Income | 8 | (4,606) | (5,042) |
| Totals | | 90,766 | 81,119 |
| Net Operating Cost | 3 | 90,766 | 81,119 |

Statement of Recognised Gains and Losses

for the year ended 31 March 2005

| | Note | 2004-05 £000 | 2003-04 £000 |
|---|------|-----------------|-----------------|
| Actuarial loss on pension commitments | 14 | (548) | (4,923) |
| Net gain on revaluation of tangible fixed assets | 16a | 41,717 | 4,800 |
| Recognised gains and losses for the financial year | | 41,169 | (123) |

Balance Sheet

as at 31 March 2005

| | Note | 2005 £000 | 2004 £000 |
|--|------|----------------|----------------|
| Fixed assets: | | | |
| Tangible assets | 9 | 543,121 | 453,047 |
| Intangible assets | 10 | 228 | 198 |
| Current assets: | | | |
| Stocks | | 199 | 229 |
| Debtors | 11 | 5,200 | 1,240 |
| Cash at bank and in hand | 12 | 1,827 | 4,618 |
| | | <u>7,226</u> | <u>6,087</u> |
| Creditors (amounts falling due within one year) | 13 | (5,976) | (10,012) |
| Net current assets | | <u>1,250</u> | <u>(3,925)</u> |
| Total assets less current liabilities | | 544,599 | 449,320 |
| | | | |
| Creditors (amounts falling due after more than one year) | 13 | (127) | - |
| Provisions for liabilities and charges | 14 | (49,350) | (45,650) |
| | | <u>495,122</u> | <u>403,670</u> |
| Taxpayers' equity: | | | |
| General fund | 15 | 305,439 | 255,686 |
| Revaluation reserve | 16a | 189,466 | 147,767 |
| Donated asset reserve | 16b | 217 | 217 |
| | | <u>495,122</u> | <u>403,670</u> |

P.D.G. Hayter
Clerk of the Parliaments and Accounting Officer

20th October 2005

Cash Flow Statement**for year ended 31 March 2005**

| | Note | 2004-05 £000 | 2003-04 £000 |
|---|-------------|-------------------------|-------------------------|
| Net cash outflow from operating activities | 17a | (71,265) | (55,220) |
| Capital expenditure and financial investment | 17b | (53,912) | (3,184) |
| Receipts due to the Consolidated Fund which are outside the scope of the House's activities | | - | - |
| Payments of amounts due to the Consolidated Fund | | - | (16) |
| Financing | 17c | 122,386 | 62,651 |
| Increase/(decrease) in cash in the period | 17d | (2,791) | 4,231 |

The notes on pages 19 to 35 form part of the accounts

Statement of Operating Costs by Aim and Objectives

for the year ended 31 March 2005

Aim: To enable the House, together with its members, to carry out its parliamentary and judicial functions fully and effectively, and to give value for money.

| | 2004-05 | | | 2003-04 | | |
|----------------------------|---------------|----------------|---------------|---------------|----------------|---------------|
| | Gross | Income | Net | Gross | Income | Net |
| Objective 1 | 14,090 | (926) | 13,164 | 13,438 | (1,067) | 12,371 |
| Objective 2 | 41,150 | (2,572) | 38,578 | 38,275 | (2,808) | 35,467 |
| Objective 3 | 4,123 | (431) | 3,692 | 3,982 | (473) | 3,509 |
| Objective 4 | 36,009 | (677) | 35,332 | 30,466 | (694) | 29,772 |
| Net operating costs | 95,372 | (4,606) | 90,766 | 86,161 | (5,042) | 81,119 |

The House of Lords' objectives were as follows:

- | | |
|-------------|--|
| Objective 1 | To ensure that the House and its committees have the necessary procedural, information, research, administrative and security support to meet at any time and in any circumstances. |
| Objective 2 | To provide all Members of the House (and their staff) with the services they need, including appropriate accommodation and facilities, in support of their parliamentary and judicial duties, regardless of party or office. |
| Objective 3 | To provide the public with information and with access to the proceedings of the House, so as to enhance awareness and understanding of the House's work. |
| Objective 4 | To maintain the heritage and integrity of the House's buildings, objects and documents. |

See Note 18

Notes to the resource accounts

1. Statement of accounting policies

The financial statements have been prepared with reference to the *Financial Reporting Manual (FRM)* issued by HM Treasury. The accounting policies contained in the *FRM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector, and have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under UK GAAP, the manual also requires the House to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Costs by Aim and Objectives* and supporting notes analyse the income and expenditure by the objectives of the House of Lords Administration.

The Palace of Westminster is a Royal Palace and is under the joint stewardship of the House of Lords and the House of Commons. Responsibility for maintenance of the Palace and the Parliamentary Estate is a function resting with the Parliamentary Estates Directorate and the Parliamentary Works Services Directorate within the Serjeant at Arms Department in the House of Commons. Expenditure on the Palace and the Parliamentary Estate is apportioned in a 40:60 ratio (Lords:Commons), or solely allocated to the House of Lords or the House of Commons where appropriate. Expenditure is made on behalf of the House of Lords by the Department of Finance and Administration in the House of Commons. Expenditure is then recharged to the House of Lords over the course of the year.

The House of Lords Record Office, which maintains the Parliamentary Archives, is a shared facility with relevant costs split in a 60:40 ratio between the House of Lords and the House of Commons.

Security costs are arranged and monitored jointly but are billed separately to the two Houses by the Metropolitan Police, apportioned in 31:69 ratio (Lords:Commons). Additionally, the two Houses incur administration costs on each other's behalf. These are recharged over the course of the year, on the basis of an agreed proportion.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stocks where material, at their value to the House of Lords by reference to their current costs.

1.2 Basis of consolidation

These accounts comprise a consolidation of the House of Lords Members' Expenses and administration costs, the transactions of the House of Lords Refreshment Department, and the House of Lords Works of Art Collection Fund.

1.3 Fixed Assets

The minimum level for the capitalisation of both tangible and intangible fixed assets is £1,000.

i. Land and Buildings

Land and buildings shown in the accounts are as follows:

- a. property on the Parliamentary Estate administered by the House of Lords;
- b. property on the Parliamentary Estate administered by the House of Lords and House of Commons jointly.

The Parliamentary Estate is subject to a full revaluation every 5 years and an interim review every 3 years. The valuations are undertaken by the district valuers of the Valuation Office Agency (VOA) in accordance with Financial Reporting Standard (FRS) 15 and the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS), and are subject to instructions issued by the House of Commons. In the intermediate years the Palace of Westminster is revalued using the RICS 'Tender Price Index'. The remainder of the Parliamentary Estate is revalued using appropriate indices from HM Treasury.

Properties regarded by the House of Lords as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the subject asset, on a Depreciated Replacement Cost Value (DRC) basis.

Notes to the resource accounts - *continued*

ii. Antique Furniture

The antique furniture was professionally valued at 31st March 1998. Each year the Furniture Manager in the Parliamentary Works Services Directorate carries out an internal review to assess if any revaluation adjustment is required.

iii. Plant and Machinery

Plant and Machinery comprises the clock mechanism in the Clock Tower, popularly known as 'Big Ben'. It has been revalued using an appropriate index obtained from the Office for National Statistics MM17 '*Price index numbers for current cost accounting*'.

iv. Other Tangible Assets

Other tangible assets have been stated at current cost using appropriate indices. The indices are obtained from the Office for National Statistics MM17 '*Price index numbers for current cost accounting*'.

v. Assets in the Course of Construction

Assets in the course of construction have been capitalised at cost.

vi. Intangible Fixed Assets

Intangible fixed assets relate to licences to use software developed by third parties, which are valued at cost.

1.4 Non-Operational Heritage Assets

The House of Lords has the following categories of non-operational heritage assets – the Works of Art Collection, the Parliamentary Archives, early printed books and Members' Robes. Of these, only the value of the Members' Robes is included in the balance sheet. The others are not capitalised, being defined as collections in existence at 31st March 2000 according to the FReM. Additions since 1st April 2000 are valued at cost.

i. Works of Art Collection

Parliament has collected Works of Art since 1841, depicting parliamentary institutions and statesmen and stateswomen. The collection originally consisted of works of art commissioned by the Fine Arts Commission, with the purpose of bringing the history of the nation to life on the walls of the interiors of the Houses of Parliament. Many of the works added later were acquired as donations from Members of both Houses. Until 1991 the collection was held jointly by both Houses of Parliament; at that date the works were nominally split between the two Houses on the basis of where works were situated at that date. However, this split did not necessarily reflect actual ownership at the date of acquisition, or the locations for which the works were originally commissioned or intended. The total size of the collection is disclosed in a footnote to note 9.

Details of the House of Lords Works of Art Collection Fund are contained in note 27.

ii. The Parliamentary Archives

The Parliamentary Archives comprise several million documents that have been preserved at the Palace of Westminster from 1497 in a variety of formats, from vellum and parchment to modern computer disk. Parliamentary records prior to 1497 form part of The National Archives. The records are predominantly unique and irreplaceable and have been preserved for their historical, legal and administrative value. The Record Office was established in the House of Lords in 1946, and became a shared facility with the House of Commons in 1999. The Record Office publishes an Annual Report which is available via www.parliament.uk.

iii. Early Printed Books

The House of Lords Library holds a collection of early printed books, which dates back to the Fifteenth century.

Notes to the resource accounts - *continued*

iv. Members' Robes

The House of Lords holds robes which are lent to Members for ceremonial use on State occasions. These were donated or bequeathed to the House by former Peers, are secured within the Palace and cleaned and repaired as necessary. The Donated Assets reserve is comprised of these robes which, due to their long life, are not depreciated.

1.5 Depreciation and Amortisation

Depreciation and amortisation is provided at rates calculated to write off the valuation of freehold buildings and other fixed assets by equal instalments over their estimated useful lives. Depreciation is not charged on freehold or leasehold land, nor on the Great Clock or antique furniture, where, in accordance with FRS 15, the long remaining life or high residual value of the assets makes such a charge immaterial. Lives are normally in the following ranges:

| | |
|------------------------------------|--------------------------------------|
| Palace of Westminster | 92 years |
| Other buildings | remaining life (between 14-40 years) |
| Fixtures and fittings | 10 years |
| Refreshment Department silverware | 20 years |
| Broadcasting equipment | 10 years |
| Telephone equipment | 5-10 years |
| General office equipment | 5-10 years |
| Computer file servers and software | 3-5 years |
| Other IT equipment | 3-4 years |

Non-operational heritage assets are not depreciated as the long economic life or high residual value makes any such charge immaterial.

1.6 Stock and work in progress

Stock includes goods for resale, other stock held by the Refreshment Department. Finished goods for resale are valued at cost or, where materially different, current replacement cost and at net realisable value only when they either cannot or will not be used.

1.7 Research and Development

Any expenditure on research and development is treated as an operating cost in the year in which it is incurred.

1.8 Income

Income relates directly to the operating activities of the House of Lords. It includes receipts from fees from Judicial proceedings and taxation of costs, Private Bill proceedings, and reproduction of parliamentary archives, receipts in connection with the provision of catering facilities, staff pension contributions and other pension receipts. It includes not only income appropriated in aid of the Estimate, but may include income to the Consolidated Fund, which is treated as operating income.

1.9 Administration and programme expenditure

The House of Lords is outside HM Treasury's administration costs control regime. To enable the House of Lords to produce the resource accounts with sufficient detail to provide a true and fair view of the state of its affairs, the requirements of the *Financial Reporting Manual* have been adapted. For reporting purposes, the same level of detail has been provided in the Accounts as a whole as would be necessary for a government department to provide for expenditure governed by the administration costs control regime.

1.10 Capital charge

A charge, reflecting the cost of capital utilised by the House of Lords, is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5%, on the average carrying amount of all assets less liabilities, except for:

- donated assets and cash balances with the Office of the Paymaster General, where the charge is nil
- additions to heritage collections where the existing collection has not been capitalised

Notes to the resource accounts - *continued*

1.11 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction.

1.12 Pensions

Present and past employees of the House of Lords are covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPPS) described in note 6. The pension scheme is accounted for under the terms of *FRS 17 Retirement Benefits*. The annual accruing cost of providing for future benefits is charged to the operating cost statement and is based upon rates determined by the Government Actuary and advised by HM Treasury. These rates were in the range of 12-18.5% of pensionable pay. A provision to meet the liability is included on the balance sheet.

The HOLSPPS contains particular arrangements in respect of employees who retire early on medical or structural grounds. These costs are identified separately in the accounts.

1.13 Leases

Operating lease rentals are charged to the operating cost statement over the lease term.

The House of Lords holds properties on finance leases, which are capitalised and depreciated over the useful life of the buildings.

1.14 Grants payable

The House of Lords makes an annual grant to the History of Parliament Trust; 2004-05 £288,000 (2003-04 £269,000)

1.15 Third-party assets

The House of Lords Security Fund Account holds monies lodged as security on civil appeals to the House of Lords. The monies in the account are always repaid to one of the parties to the appeal, the House of Lords receiving no benefit. These are categorised as Third Party Assets and the information relating to the House of Lords Security Fund Account is contained in note 25. The Fund has not been included in the list of assets and liabilities on the balance sheet.

The House of Lords Refreshment Department receives and pays gratuities on behalf of its staff; for 2004-05 the amount paid was £329,000 (2003-04 – £294,000).

1.16 Contingent Liabilities

Potential contingent liabilities are reviewed each year and disclosed in a note to the accounts (see Note 22).

In addition to contingent liabilities disclosed in accordance with FRS 12, the House discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting. Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated in the amounts reported to Parliament.

Notes to the resource accounts - *continued***2. Analysis of net resource outturn by section**

| | | | | | | 2004-05 £000 | 2003-04 £000 | | |
|--|---------------|---------------|----------------------------|---------------|----------------|-----------------|-----------------|--|--------------------|
| | | | | | | Outturn | Estimate | | |
| | | | | | | Net Total | Net Total | Net Total outturn compared with estimate | Prior-year outturn |
| Admin | Other current | Grants | Gross resource Expenditure | A in A | Net Total | Net Total | Net Total | Net Total | Prior-year outturn |
| Request for resources 1: Members' expenses and administration, etc. | | | | | | | | | |
| Administration | - | 49,425 | 288 | 49,713 | (4,568) | 45,145 | 46,331 | 1,186 | 42,834 |
| Works Services | - | 44,488 | - | 44,488 | (38) | 44,450 | 45,593 | 1,143 | 36,984 |
| Administration (AME) | - | 1,171 | - | 1,171 | - | 1,171 | 2,467 | 1,296 | 1,301 |
| Total | - | 95,084 | 288 | 95,372 | (4,606) | 90,766 | 94,391 | 3,625 | 81,119 |

Detailed explanations of the variances are given in the Operating and Financial Review.

3. Reconciliation of net resource outturn to net operating cost

| | | 2004-05 £000 | 2003-04 £000 | | |
|---------------------------|---------|-----------------|--------------------------------|--------------------------------|---------------|
| | | Outturn | Supply Estimate | Outturn compared with estimate | Outturn |
| Note | Outturn | Supply Estimate | Outturn compared with estimate | Outturn | Outturn |
| Net Resource Outturn | 2 | 90,766 | 94,391 | (3,625) | 81,119 |
| Non-supply income (CFERs) | 5 | - | - | - | - |
| Net operating cost | | 90,766 | 94,391 | (3,625) | 81,119 |

4. Reconciliation of resources to cash requirement

| | | Estimate £000 | Outturn £000 | Net total outturn compared with estimate: saving/(excess) £000 |
|---|------------------|------------------|---|---|
| Note | Estimate £000 | Outturn £000 | Net total outturn compared with estimate: saving/(excess) £000 | Net total outturn compared with estimate: saving/(excess) £000 |
| Resource Outturn | | 94,391 | 90,766 | 3,625 |
| Capital | | | | |
| Acquisition of fixed assets | 9,10 | 55,559 | 53,912 | 1,647 |
| Non operating A in A | | | | |
| Proceeds of fixed asset disposals | | (65) | - | (65) |
| Accruals adjustments | | | | |
| Non-cash items | 7 | (27,587) | (24,183) | (3,404) |
| Changes in working capital other than cash | 17a | 6,986 | 5,048 | 1,938 |
| Use of provision | 14 | (423) | (366) | (57) |
| Excess cash receipts surrenderable to the Consolidated Fund | 5 | - | - | - |
| Net cash requirement | | 128,861 | 125,177 | 3,684 |

Notes to the resource accounts - *continued***5. Non-Operating income – Excess A in A**

| | 2004-05 £000 | 2003-04 £000 |
|---|-----------------|-----------------|
| Proceeds on disposal of fixed assets | - | 16 |
| Non-operating income – excess A in A | - | 16 |

6. Staff numbers and related costs

Staff costs comprise:

| | 2004-05 £000 | 2003-04 £000 |
|---|-----------------|-----------------|
| Wages and salaries | 12,272 | 11,296 |
| Social security costs | 1,055 | 986 |
| Other pension costs | 2,426 | 3,006 |
| Sub Total | 15,753 | 15,288 |
| Less recoveries in respect of outward secondments | (218) | (266) |
| Total net costs* | 15,535 | 15,022 |

*Of the total, £000 has been charged to capital

The House of Lords Staff Pension Scheme (HOLSPS) is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The House of Lords meets the costs of all benefits. A provision to meet the liability is included on the balance sheet. The HOLSPS is a 'by analogy' scheme with less than 1000 members. The Government Actuary's Department has devised a model to assist organisations with small 'by analogy' to the PCSPS schemes to value their liabilities. The amount in the financial statements has been calculated using this valuation method. The date of valuation is 31st March 2005.

For 2004-05, employers' contributions of £1,580,143 were accrued at rates in the range 12 to 18.5% of pensionable pay, based on salary bands. The rates are reviewed every four years by the Government Actuary and advised by the Treasury. Rates will increase from 2005-06. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred.

Employees joining after 1st October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,040 were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

The above amounts are only in respect of staff of the House of Lords. Other pension costs includes some costs of administering the House of Lords Staff Pension Scheme. By agreement between the House of Commons and the House of Lords, the whole of the pension provision for certain staff within shared services falls on the House of Commons, regardless of whether salary costs are shared.

Average number of persons employed

The average number of whole-time equivalent (WTE) persons (including senior management) employed during the year was as follows:

| | 2004-05 | 2003-04 |
|-------------------------------|---------|---------|
| House of Lords Administration | 412 | 390 |

The above excludes certain shared services staff, 40% of whose salary costs are met by the House of Lords.

Notes to the resource accounts - *continued***7. Expenditure**

| | Note | 2004-05 £000 | 2003-04 £000 |
|--------------------------------------|------|-----------------|-----------------|
| Rentals under operating leases | | 1,797 | 1,818 |
| Research and Development expenditure | | - | - |
| Non-cash items | | | |
| Depreciation | 9 | 5,362 | 4,611 |
| Amortisation | 10 | 151 | 100 |
| Loss on disposal of fixed assets | | 4 | 3 |
| Loss on revaluation of fixed assets | | 8 | 310 |
| Cost of Capital Charges | | 15,766 | 14,385 |
| Auditors' remuneration and expenses | | 106 | 105 |
| Interest cost on provisions | 14 | 2,786 | 2,645 |
| Members' Expenses | | 14,429 | 13,597 |
| Security | | 8,122 | 7,511 |
| Estates & Works expenditure | | 21,014 | 15,734 |
| Other expenditure | | 10,292 | 10,320 |
| Total | | 79,837 | 71,139 |

8. Income

| | 2004-05 £000 | 2003-04 £000 |
|--|-----------------|-----------------|
| Refreshment Department sales | 3,391 | 3,387 |
| Pension contributions and transfers in | 516 | 1,039 |
| Judicial fees and taxation | 604 | 581 |
| Other fees and charges | 95 | 35 |
| | 4,606 | 5,042 |

Notes to the resource accounts - *continued*

9. Tangible fixed assets

| | Land & Buildings | Fixtures & Fittings | Information Technology | Plant & Machinery | Heritage Assets | Assets under Construction | Total |
|---|------------------|---------------------|------------------------|-------------------|-----------------|---------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | | |
| At 1 st April 2004 | 754,869 | 1,329 | 5,088 | 1,247 | 18,966 | 8,889 | 790,388 |
| Additions | 51,842 | 166 | 1,111 | - | 39 | 573 | 53,731 |
| Donations | - | - | - | - | - | - | - |
| Disposals | - | (66) | (68) | - | - | - | (134) |
| Reclassifications | 8,889 | - | - | - | - | (8,889) | - |
| Revaluations | 76,277 | 7 | (9) | 34 | - | - | 76,309 |
| At 31st March 2005 | 891,877 | 1,436 | 6,122 | 1,281 | 19,005 | 573 | 920,294 |
| Depreciation | | | | | | | |
| At 1 st April 2004 | 333,672 | 478 | 3,191 | - | - | - | 337,341 |
| Charged in year | 4,380 | 113 | 869 | - | - | - | 5,362 |
| Disposals | - | (52) | (64) | - | - | - | (116) |
| Reclassifications | - | - | - | - | - | - | - |
| Revaluations | 34,598 | (13) | 1 | - | - | - | 34,586 |
| At 31st March 2005 | 372,650 | 526 | 3,997 | - | - | - | 377,173 |
| Net book value at 31st March 2005 | 519,227 | 910 | 2,125 | 1,281 | 19,005 | 573 | 543,121 |
| Net book value at 31 st March 2004 | 421,197 | 851 | 1,897 | 1,247 | 18,966 | 8,889 | 453,047 |

Analysis of Land and Buildings

| | Land | | Buildings | | | Total |
|---|---------------|----------------|----------------|----------------|--------------|----------------|
| | Freehold | Long Leasehold | Freehold | Long Leasehold | Dwellings | |
| | £000 | £000 | £000 | £000 | £000 | |
| Cost or valuation | | | | | | |
| At 1 st April 2004 | 81,993 | - | 669,871 | 1,360 | 1,645 | 754,869 |
| Additions | - | 10,348 | 1,510 | 39,984 | - | 51,842 |
| Disposals | - | - | - | - | - | - |
| Reclassifications | - | 1,069 | - | 7,820 | - | 8,889 |
| Revaluations | 5,523 | - | 70,659 | - | 95 | 76,277 |
| At 31st March 2005 | 87,516 | 11,417 | 742,040 | 49,164 | 1,740 | 891,877 |
| Depreciation | | | | | | |
| At 1 st April 2004 | - | - | 333,342 | 291 | 39 | 333,672 |
| Charged in year | - | - | 4,070 | 269 | 41 | 4,380 |
| Disposals | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Revaluations | - | - | 34,596 | - | 2 | 34,598 |
| At 31st March 2005 | - | - | 372,008 | 560 | 82 | 372,650 |
| Net book value at 31st March 2005 | 87,516 | 11,417 | 370,032 | 48,604 | 1,658 | 519,227 |
| Net book value at 31 st March 2004 | 81,993 | - | 336,529 | 1,069 | 1,606 | 421,197 |

Notes to the resource accounts - continued*Land and buildings*

The Palace of Westminster was re-valued using appropriate indices on the basis of depreciated replacement cost. The total value of the Palace as at 31st March 2005 was £1,136,723,000 (House of Lords share £454,689,000). The remainder of the Parliamentary Estate was re-valued using appropriate indices on the basis of existing use value.

Fixtures and Fittings

Fixtures & Fittings comprises all office and light equipment, including that of the Refreshment Department.

Plant and Machinery

The clock mechanism, popularly known as 'Big Ben', was last valued as at 31st March 2005 using appropriate indices from the Office of National Statistics publication MM17 'Price index numbers for current cost accounting'. The total value was £3,203,000 (House of Lords share £1,281,000).

Works of Art

Works of Art acquired prior to 1st April 2000 are not included on the balance sheet. The collection held by Parliament, either solely or jointly with the House of Commons, prior to 1st April 2000 can be classified as;

| | | | |
|--|-------|--|-------|
| <i>Purchased Works of Art numbering:</i> | | <i>And Donated works of art numbering:</i> | |
| Paintings and Prints | 4,796 | Paintings and Prints | 1,534 |
| Busts | 170 | Busts and Statues | 49 |
| Medieval Statuary | 6 | Murals and mosaics | 17 |
| Murals and mosaics | 122 | Tapestries | 1 |
| Tapestries | 9 | | |

Additions purchased since 1st April 2000 are capitalised and included in Heritage Assets. The value of Works of Art as at 31st March 2005 was £265,000. Details of the Works of Art Collection Fund are in note 27.

10. Intangible fixed assets

The House's intangible fixed assets comprise purchased software licences.

| | 2004-05 | 2003-04 |
|--|------------|------------|
| | £000 | £000 |
| Cost or valuation | | |
| At 1 st April | 580 | 431 |
| Additions | 181 | 149 |
| Donations | - | - |
| Disposals | - | - |
| Revaluation | - | - |
| At 31st March | 761 | 580 |
| Amortisation | | |
| At 1 st April | 382 | 282 |
| Charged in year | 151 | 100 |
| Disposals | - | - |
| Revaluation | - | - |
| At 31st March | 533 | 382 |
| Net book value at 31st March | 228 | 198 |

Notes to the resource accounts - *continued***11. Debtors**

| | 2004-05 £000 | 2003-04 £000 |
|---|-----------------|-----------------|
| Amounts falling due within one year: | | |
| Trade debtors | 294 | 283 |
| Deposits and advances | 112 | 139 |
| Other debtors | - | 2 |
| Prepayments and accrued income | 674 | 525 |
| VAT | 4,120 | 291 |
| | 5,200 | 1,240 |

12. Cash at bank and in hand

| | 2004-05 £000 | 2003-04 £000 |
|-----------------------------|-----------------|-----------------|
| Balance at 1 April | 4,618 | 387 |
| Net change in cash balances | (2,791) | 4,231 |
| Balance at 31 March | 1,827 | 4,618 |

The following balances at 31 March were held at:

| | | |
|-----------------------------------|--------------|--------------|
| Office of HM Paymaster General | 1,751 | 4,573 |
| Commercial banks and cash in hand | 76 | 45 |
| Balance at 31 March | 1,827 | 4,618 |

13. Creditors

| | 2004-05 £000 | 2003-04 £000 |
|--|-----------------|-----------------|
| Amounts falling due within one year | | |
| Trade creditors | 543 | 522 |
| Other creditors | 1,833 | 4,200 |
| Accruals and deferred income | 1,773 | 672 |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 1,827 | 4,618 |
| | 5,976 | 10,012 |
| Amounts falling due after more than one year | 127 | - |

Notes to the resource accounts - *continued***14. Provisions for liabilities and charges**

The provision for future pension payments and early departure costs is as follows:

| | <u>Pension commitments</u> | <u>Early Departure Costs</u> | <u>Total Provision</u> |
|--|----------------------------|------------------------------|------------------------|
| | £000 | £000 | £000 |
| Value of liabilities at 1 st April 2004 | 45,537 | 113 | 45,650 |
| Current service cost (net of employee contributions) | 1,900 | - | 1,900 |
| Employee contributions | 352 | - | 352 |
| Actuarial losses (gains) | 548 | - | 548 |
| Less benefits paid | (1,882) | (63) | (1,945) |
| Add net individual transfers in | 59 | - | 59 |
| Interest cost on provision | 2,779 | 7 | 2,786 |
| Balance at 31st March 2005 | 49,293 | 57 | 49,350 |

The House of Lords Staff Pension Scheme is 'by analogy' to the Principal Civil Service Pension Scheme. The Government Actuary's Department has devised a model to assist organisations with small (less than 1000 members) 'by analogy' to the PCSPS schemes to value their liabilities. The amount in the financial statements has been calculated using this valuation method. The date of valuation is 31st March 2005 and the major assumptions used were:

| Financial assumptions | 31st March 2005 | 31st March 2004 |
|--|-----------------------------------|-----------------------------------|
| | % | |
| The inflation assumption | 2.5 | 2.5 |
| The rate of increase in salaries | 4.0 | 4.0 |
| The rate of increase for pensions in payment and deferred pensions | 2.5 | 2.5 |
| The rate used to discount scheme liabilities | 6.1 | 6.1 |
| The effect of accrual during 2004-2005 | Amount | |
| | £000 | |
| The current service cost (net of employee contributions) | 1,900 | |
| Any past service costs | 0 | |
| Gains and losses on any settlements and curtailments | 0 | |
| The interest cost | 2,786 | |
| Actuarial gains and losses for 2004-05 | %* | Amount |
| | | £000 |
| Experience losses (gains) | 0.14 | 68 |
| Effect of changes in demographic and financial assumptions | 0.97 | 480 |
| Total actuarial losses (gains) | 1.11 | 548 |

*here the amounts are expressed as a percentage of the present value of the scheme liabilities as at the balance sheet date

| Liability | 31st March 2005 | 31st March 2004 |
|---|-----------------------------------|-----------------------------------|
| | £000 | £000 |
| Actives | 25,210 | 22,350 |
| Deferreds | 3,700 | 4,070 |
| Age Pensioners | 17,260 | 16,450 |
| Ill Health Pensioners | 1,725 | 1,575 |
| Dependant Pensioners | 1,455 | 1,205 |
| Total Present value of the scheme liabilities | 49,350 | 45,650 |

Notes to the resource accounts - *continued***15. General Fund**

The General Fund represents the total assets less liabilities of the House, to the extent that the total is not represented by other reserves and financing items.

| | 2004-05 | 2003-04 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 255,686 | 268,814 |
| Net Parliamentary Funding | | |
| Drawn Down | 122,386 | 62,651 |
| Deemed | 4,618 | 371 |
| Year end adjustment | | |
| Supply Creditor/(Debtor) – current year | (1,827) | (4,618) |
| Net Transfer from Operating Activities | | |
| Net Operating Cost (Schedule 2) | (90,766) | (81,119) |
| CFERS repayable to Consolidated Fund | - | - |
| Non Cash Charges | | |
| Cost of Capital | 15,766 | 14,385 |
| Auditors' remuneration | 106 | 105 |
| Transfer from Revaluation Reserve | 18 | 20 |
| Other adjustments (inc. actuarial loss) | (548) | (4,923) |
| Balance at 31 March | 305,439 | 255,686 |

16. Reserves**16(a) Revaluation Reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

| | 2004-05 | 2003-04 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 147,767 | 142,987 |
| Arising on revaluation during the year (net) | 41,717 | 4,800 |
| Transferred to general fund in respect of realised element of revaluation reserve | (18) | (20) |
| Balance at 31 March | 189,466 | 147,767 |

16(b) Donated Asset Reserve

The donated asset reserve reflects the net book value of assets donated to the House of Lords

| | 2004-05 | 2003-04 |
|----------------------------|------------|------------|
| | £000 | £000 |
| Balance at 1 April | 217 | 217 |
| Additions during the year | - | - |
| Balance at 31 March | 217 | 217 |

Notes to the resource accounts - *continued***17. Notes to the Cash Flow Statement****17(a) Reconciliation of operating cost to operating cash flows**

| | 2004-05 | 2003-04 |
|--|-----------------|-----------------|
| Note | £000 | £000 |
| Net operating cost | (90,766) | (81,119) |
| Adjustments for non-cash transactions | 7 | 24,183 |
| (Increase)/Decrease in Stock | 30 | 59 |
| (Increase)/Decrease in Debtors | 11 | (3,960) |
| Increase/(Decrease) in Creditors | 13 | (1,118) |
| <i>less movements in creditors relating to items not passing through the OCS</i> | - | (16) |
| Use of provisions | 14 | 366 |
| Net cash outflow from operating activities | (71,265) | (55,220) |

17(b) Analysis of capital expenditure and financial investment

| | 2004-05 | 2003-04 |
|---|-----------------|----------------|
| Note | £000 | £000 |
| Tangible fixed asset additions | 9 | (53,731) |
| Intangible fixed asset additions | 10 | (181) |
| Proceeds of disposal of fixed assets | - | 16 |
| Net cash outflow from investing activities | (53,912) | (3,184) |

17(c) Analysis of financing

| | 2004-05 | 2003-04 |
|--|----------------|---------------|
| | £000 | £000 |
| From the Consolidated Fund (Supply) – current year | 122,386 | 62,651 |
| From the Consolidated Fund (Supply) – prior year | - | - |
| Net financing | 122,386 | 62,651 |

17(d) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

| | 2004-05 | 2003-04 |
|--|----------------|--------------|
| | £000 | £000 |
| Net cash requirement | (125,177) | (58,404) |
| From the Consolidated Fund (Supply) – current year | 122,386 | 62,651 |
| From the Consolidated Fund Supply – prior year | - | - |
| Amounts due to the Consolidated Fund received and not paid | - | (16) |
| Increase/(decrease) in cash | (2,791) | 4,231 |

Notes to the resource accounts - continued**18. Note to the Statement of Operating Costs by Aim and Objectives**

The House of Lords capital is employed exclusively for House of Lords Administration purposes.

19. Capital commitments

| | 2004-05 | 2003-04 |
|---|---------|---------|
| | £000 | £000 |
| Contracted capital commitments at 31 March 2005 for which no provision has been made: | 590 | 3,328 |

The final payment regarding the purchase of the Millbank 'island site', amounting to £22,181,250, is payable in September 2007.

20. Commitments under leases*Operating leases*

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

| | 2004-05 | 2003-04 |
|---|-----------|-------------|
| | £000 | £000 |
| Obligations under operating leases comprise: | | |
| Land and buildings: | | |
| Expiry within 1 year | - | - |
| Expiry after 1 year but not more than 5 years | - | - |
| Expiry thereafter | 166 | 1,290 |
| | <hr/> 166 | <hr/> 1,290 |
| Other: | | |
| Expiry within one year | 13 | - |
| Expiry after 1 year but not more than 5 years | 47 | 70 |
| Expiry thereafter | - | 2 |
| | <hr/> 60 | <hr/> 72 |

Finance Leases

The House of Lords holds properties on finance leases for which the annual commitment is £1.

21. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which Parliament is financed, the House of Lords is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the House of Lords in undertaking its activities.

Notes to the resource accounts - continued*Liquidity Risk*

The House of Lords is financed by supply voted annually by Parliament for the House of Lords Members' expenses and administration etc. expenditure. As such it is not exposed to significant liquidity risks.

Interest rate risk

All of the House of Lords' financial assets and liabilities carry nil or fixed rates of interest. The House of Lords is not therefore exposed to significant interest rate risk.

Foreign currency risk

Foreign currency would not normally form part of the House of Lords' assets and liabilities, and as such it is not exposed to any significant foreign currency risks.

Fair Value

Fair value is not significantly different from book value since, in the calculation of the book value, the appropriate discount rate has been applied.

22. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

The House has entered into quantifiable contingent liabilities, relating to Works of Art on loan to the House of Lords, by offering guarantees, indemnities or by giving letters of comfort. These totalled £1,600,000 as at 31st March 2005 (31st March 2004 – nil). None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

23. Losses and Special Payments

No exceptional kinds of expenditure such as losses and special payments, that require separate disclosure because of their nature or amount, have been incurred (2003-04 – nil).

24. Related-party transactions

The House of Lords and the House of Commons share some buildings and services. These include the Palace of Westminster, the Parliamentary Estates Directorate, the Parliamentary Works Services Directorate, the Parliamentary Communications Directorate and the Parliamentary Archives.

These joint arrangements are charged between the two Houses on an agreed percentage basis of underlying costs for each service (certain accommodation and overhead costs are excluded). Each House includes their share of the relevant asset base and/or service cost in their Resource Accounts. The percentage for each House for the key areas is as follows:

| Service | House of Lords | House of Commons |
|----------------------------------|----------------|------------------|
| Accommodation and Works services | 40% | 60% |
| Communications services | 15% | 85% |
| Parliamentary archives | 60% | 40% |
| Visitor Tours | 30% | 70% |
| Broadcasting services | 40% | 60% |

As at 31st March 2005, the balance relating to accommodation and works services owed by the House of Lords to the House of Commons was £1,751,000. In relation to other shared services, the amount owed was £19,000. The total amount of expenditure incurred by the House of Commons on behalf of the House of Lords was £30,341,000.

The House of Lords incurred expenditure of £412,000 on behalf of the House of Commons during 2004-05. The balance owed to the House of Lords by the House of Commons was £34,300.

Additionally, specific projects are sometimes carried out jointly. During 2004-5 the House of Lords paid the House of Commons £622,000 relating to the PIMS project and £103,000 relating to Joint and Overseas Committees.

Notes to the resource accounts - continued**25. The House of Lords Security Fund Account**

In all civil cases where an Appeal lies to the House of Lords under the provisions of the Appellate Jurisdiction Act 1876, Appellants must provide security for the costs of such Appeals. The House of Lords Security Fund Account records the receipt, payment and disposition of the lodgements for each financial year. The sum to be lodged by the Appellants is authorised from time to time by the House Committee. The most recent revision was in October 2000 when it was increased from £18,000 to £25,000. No other receipts and payments are entered on the account; no interest is paid on the lodgements, nor are any fees deducted. Security Fund monies are payable to the relevant party, usually on issue of the Final Judgement or Taxation of the Bill of Costs.

| | 2004-05 | 2003-04 |
|---|----------------|----------------|
| | £000 | £000 |
| Opening balance of Fund at 1 st April | 1,672 | 1,601 |
| Add: receipts – Lodgements by Appellants | 800 | 500 |
| Less: repayments to Appellants/Respondents | (719) | (429) |
| Closing balance of Fund at 31st March | 1,753 | 1,672 |

The closing balance of £1,753,000 (2003-04 - £1,672,000) was made up of 1 Deposit of £12,000, 12 Deposits of £18,000 and 61 Deposits of £25,000.

26. House of Lords Refreshment Department Trading Activities

The House of Lords Refreshment Department provides a wide range of catering facilities to Members and House of Lords' staff. Members may sponsor private functions, and this type of service accounted for 52.58% of sales in 2004-05.

The Refreshment Department operates under a policy first agreed between the House of Lords and HM Treasury in 1981. In accordance with this policy, the department is required to trade on the basis of 60% gross profit on all turnover. Sales of tobacco, confectionery and goods to be consumed or used outside the department, together with the cost of services at functions, are excluded from the turnover figure against which gross profit is measured for the purpose of this target.

Total trading sales for 2004-05 amounted to £3,391,000. Gross profit on sales calculated according to the formula above was 69.2% and gross profit on all sales was £1,831,000.

Further performance targets for trading in individual outlets of the department have been agreed, and are reviewed annually, by the Refreshment Committee.

Notes to the resource accounts - *continued***27. The House of Lords Works of Art Collection Fund**

The Works of Art Collection Fund was established for the purpose of acquiring works of art for the House of Lords. Prior to 1st April 1992, it was funded by grant from the Department of the Environment. For the financial years 1992-93 and 1993-94, provision was made to meet expenditure from the House of Lords Works Services Vote. With effect from 1994-95 an annual grant is made to the Works of Art Collection Fund and unspent balances of up to a maximum of £80,000 may be carried forward. The annual grant was increased to £50,000 in April 2004. The Fund is regulated by a scheme of delegation agreed by the Works of Art Committee in October 2003.

| | <u>2004-05</u> | <u>2003-04</u> |
|--|----------------|----------------|
| | £000 | £000 |
| Opening balance of Fund at 1 st April | - | - |
| Add receipts: | | |
| Grant from RfR (see (a) below) | 31 | 49 |
| Net interest received | - | - |
| | <u>31</u> | <u>49</u> |
| Less: Purchases during the year (see (b) below) | 19 | 49 |
| | <u>19</u> | <u>49</u> |
| Closing Balance of Fund as at 31 st March | <u>12</u> | - |

(a) To enable the purchase of two specific works of art in 2003-04 £19,000 was forwarded from the 2004-05 grant. The grant for 2004-05 was therefore reduced by £19,000.

(b) Purchases during the year (which are included within additions in fixed assets note 9):

| Description | £ |
|--|---------------|
| The Setting out of the Train Bands from London to raise the Siege of Gloucester, 1643 <i>Sketch for mural painting in Peers Corridor by Charles West Cope</i> | 3,936 |
| Portrait of Lord Eldon <i>Contemporary watercolour after Sir Thomas Lawrence</i> | 1,412 |
| Portrait Commission of Baroness Amos <i>Oil on canvas by Paul Benney</i> | 10,000 |
| 7 Prints of London views | 135 |
| 3 caricatures by Lord Elton | 40 |
| Caricature of Lord Haldane by Edward Tennyson Reed | 565 |
| Engraving of the House of Lords in 1859 by W Thomas | 250 |
| Portrait miniature of Edward Parratt | 188 |
| Portrait bust of Queen Elizabeth II by Oscar Nemon | 2,086 |
| Total | 18,612 |

Remuneration Report 2004-05

The Clerk of the Parliaments, Paul Hayter, is head of the permanent staff of the House of Lords. He is the Accounting Officer and, under the Parliamentary Corporate Bodies Act 1992, he is also the Corporate Officer of the House of Lords.

The Clerk of the Parliaments is supported by a Management Board, which he chairs. The membership of the Management Board is designed to reflect the wide range of services provided to the House and its Members. In 2004-05 its members were as follows:

- Michael Pownall - Clerk Assistant and Clerk of Legislation
- David Beamish - Reading Clerk and Clerk of the Journals
- Lieutenant-General Sir Michael Willcocks, KCB - Gentleman Usher of the Black Rod and Serjeant-at-Arms
- Rhodri Walters - Clerk of Committees
- Edward Ollard - Finance Director
- Philippa Tudor - Head of Human Resources

The Clerk of the Parliaments is appointed by the Crown and can be removed from office only by the Sovereign upon an address of the House of Lords for that purpose. The Clerk Assistant and the Reading Clerk are appointed by the Lord Chancellor, subject to the approval of the House, and can be removed from office only by order of the House. The Gentleman Usher of Black Rod is appointed formally by the Crown following a recruitment exercise conducted by the Clerk of the Parliaments. Black Rod also holds the office of Serjeant-at-Arms. All other staff are appointed and removable by the Clerk of the Parliaments as Corporate Officer of the House of Lords.

Remuneration policy

The salary of the Clerk of Parliaments is linked to Judicial Salary Group 4. Pay for the Management Board members is in line with the pay bands used in the Senior Civil Service, and pay awards are performance-related. Pay awards are determined annually by reference to SSRB recommendations for the Senior Civil Service.

Salary and pension entitlements

The salary and benefits in kind of the Management Board were as follows:

| | 2004-05 | | 2003-04 | |
|--|----------------|---|--|---|
| | Salary £000 | Benefits in kind (to nearest £100) | Salary £000 | Benefits in kind (to nearest £100) |
| Paul Hayter <i>Clerk of the Parliaments</i> | 150-155 | - | 135-140 | - |
| Michael Pownall <i>Clerk Assistant</i> | 105-110 | - | 105-110 | - |
| David Beamish <i>Reading Clerk</i> | 90-95 | 900 | 55-60 <i>(90-95 full year equivalent)</i> | 800 |
| Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i> | 80-85 | see below | 80-85 | see below |
| Rhodri Walters <i>Clerk of Committees</i> | 95-100 | - | 90-95 | - |
| Edward Ollard <i>Finance Director</i> | 75-80 | - | 70-75 | - |
| Philippa Tudor <i>Head of Human Resources</i> | 75-80 | - | 35-40 <i>(75-80 full year equivalent)</i> | - |

Remuneration Report 2004-05 - continued

'Salary' includes gross salaries and non-consolidated performance bonuses payable, reserved rights and any other allowance to the extent that it is subject to UK taxation.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as taxable emolument. Black Rod occupies a Parliamentary Residence and for 2004-05 the taxable benefit for the residence was £4,274 (2003-04 - £4,255). David Beamish received childcare vouchers.

Pensions

The pension benefits of the Management Board were as follows:

| | Accrued pension and related lump sum at 31/3/05 £000 | Real increase in pension and related lump sum at 31/3/05 £000 | CETV at 31/3/05 £000 | CETV at 31/3/04 £000 | Real increase in CETV £000 |
|--|---|---|----------------------------|----------------------------|-------------------------------------|
| Paul Hayter <i>Clerk of the Parliaments</i> | 75-80 <i>Plus lump sum of 235-240</i> | 5-7.5 <i>Plus lump sum of 17.5-20</i> | 1,264 | 1,150 | 103 |
| Michael Pownall <i>Clerk Assistant</i> | 45-50 <i>Plus lump sum of 135-140</i> | 0-2.5 <i>Plus lump sum of 5-7.5</i> | 753 | 678 | 38 |
| David Beamish <i>Reading Clerk</i> | 30-35 <i>Plus lump sum of 100-105</i> | 0-2.5 <i>Plus lump sum of 2.5-5</i> | 570 | 518 | 20 |
| Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i> | 0-5 <i>Plus lump sum of 10-15</i> | 0-2.5 <i>Plus lump sum of 2.5-5</i> | 82 | 60 | 19 |
| Rhodri Walters <i>Clerk of Committees</i> | 35-40 <i>Plus lump sum of 110-115</i> | 0-2.5 <i>Plus lump sum of 5-7.5</i> | 609 | 550 | 28 |
| Edward Ollard <i>Finance Director</i> | 15-20 <i>Plus lump sum of 55-60</i> | 0-2.5 <i>Plus lump sum of 2.5-5</i> | 265 | 236 | 13 |
| Philippa Tudor <i>Head of Human Resources</i> | 20-25 <i>Plus lump sum of 65-70</i> | 0-2.5 <i>Plus lump sum of 5-7.5</i> | 313 | 267 | 28 |

Pension benefits are provided through the House of Lords Staff Pension Scheme (HOLSPS). From 1st October 2002, staff may be in one of three statutory "final salary" defined benefit schemes (classic, premium or classic plus). The schemes are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1st October 2002 may choose between membership of premium or joining a "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1st October 2002 calculated broadly as per classic.

Remuneration Report 2004-05 - continued*Cash Equivalent Transfer Values*

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the HOLSPS arrangements and for which the House of Lords has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

P.D.G. Hayter

Clerk of the Parliaments and Accounting Officer

20th October 2005